

Amendments to the Specification:

Please replace the paragraph beginning at page 8, line 25, with the following rewritten paragraph:

FIGS. 6 to 9 diagrammatically show the operation of the display screen 122 in cooperation with the surgical navigation system 500 to guide the tool tip 112 into the proper predetermined position and orientation. The surgical navigation system 500 will track the tracking and display unit 120 in a manner similar other tools and devices containing LED's that are visible to the surgical navigation system 500. FIG. 6 shows the tip position display 136 is in the upper left corner of the display 122. This display position of the tool tip position display 136 shows that the tool tip 112 of the surgical drill 100 is not in the correct position that has been determined by preoperative planning. Based on the location of the tip position display 136 as shown in FIG. 6 the tool tip 112 is located to the left and above the predetermined position. The surgeon will move the surgical drill and the tool tip 112 to the correct position. As the surgeon moves the tool tip 112 toward the predetermined position, the tool tip position display 136 will shift toward the center of the display screen 122 to follow the surgeon's movement to the location as shown in FIG. 7. This indicates to the surgeon that the tool tip 112 is in the proper x, y, z position as determined by preoperative planning. Since the surgeon can see the actual location of the predetermined position, in some instances it may only be necessary to provide a two-dimensional position indicator as the surgeon can position the tool tip 112 at the proper depth visually. The tool tip position display can be configured to provide a three-dimensional position indication as well. This can be done using two LED's that will converge as the tool tip 112 reaches the proper depth and x, y position.